

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**Report of the Trade and Development Board on
its ninth (pre-sessional) executive session**

held at the Palais des Nations, Geneva,
on 17 March 1995



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CONTENTS

<u>Chapter</u>		<u>Paragraphs</u>
I.	Introduction	1
II.	Terms of reference of the Commission on International Investment and Transnational Corporations (agenda item 2)	2 - 10
III.	Reports and activities of the subsidiary bodies of the Board: matters requiring action (agenda item 5)	11 - 22
IV.	Procedural, institutional, organizational and administrative matters	23 - 31
	A. Opening of the session	23
	B. Bureau of the Board	24
	C. Adoption of the agenda	25
	D. Institutional, organizational, administrative and related matters (agenda item 3)	26 - 29
	E. Designation of the President of the forty-second session of the Board (agenda item 4)	30
	F. Report of the ninth (pre-sessional) executive session of the Board (agenda item 7)	31

ANNEXES

I.	Agenda for the ninth (pre-sessional) executive session of the Trade and Development Board
II.	Attendance

I. INTRODUCTION

1. The ninth (pre-sessional) executive session of the Trade and Development Board was held at the Palais des Nations, Geneva, on 17 March 1995. The executive session consisted of one meeting - the 854th plenary meeting of the Board. The agenda of the ninth (pre-sessional) executive session is reproduced in annex I below.

II. TERMS OF REFERENCE OF THE COMMISSION ON INTERNATIONAL INVESTMENT AND TRANSNATIONAL CORPORATIONS

(Agenda item 2)

2. The President recalled that the United Nations General Assembly, in its resolution 49/130 of 19 December 1994, had decided that the Commission on Transnational Corporations, hitherto a subsidiary body of the Economic and Social Council, should become a Commission of the Trade and Development Board and be renamed the Commission on International Investment and Transnational Corporations. Also in resolution 49/130, the General Assembly had requested the Board to address urgently the question of orienting the programme of work of the new Commission on the basis of recommendations made by the Commission on Transnational Corporations at its twentieth session in May 1994. In response, the UNCTAD secretariat had drawn up a draft decision on the terms of reference for the new Commission, which were before the Board in TD/B/EX(9)/L.1.

3. The representative of Mexico reaffirmed his country's support for strengthening the role of the Commission as an intergovernmental coordinating body in the United Nations system for examining foreign direct investment issues and the role of transnational corporations. Mexico recognized that FDI was a more healthy way of channelling external resources to national economies than the granting of loans. In this area, TNCs played a major role in the world economy and national development efforts by the very magnitude of their financial and technological resources, as well as by their organization of production, marketing and corporate management - all of which enabled them to contribute to the growth of the host countries. That was why his delegation supported the provisions of General Assembly resolution 49/130, in particular with a view to ensuring that the new UNCTAD Commission should serve to coordinate the work of the Commission itself and the work currently undertaken by UNCTAD, especially in the areas of FDI and investment and financing flows. In this endeavour, the Commission would benefit from UNCTAD's infrastructure for statistics, analysis, and policy recommendations, as well as from the experience it had built up in consultancy, technical training and case studies. In this way, it would also be possible to strengthen and extend the analytical and negotiating capacity of both the Commission and UNCTAD, as well as to complement their diverse spheres of activity and study.

4. In order to achieve the above objectives, it was essential that the United Nations Secretariat should adopt the relevant administrative and legal measures to guarantee the budgetary resources needed for the good functioning of the Commission as a new subsidiary body of the Board, especially in view of the reduction in the UNCTAD budget. To that end, his delegation emphasized the necessity to re-establish in their entirety the resources originally allocated to the Programme on Transnational Corporations in the draft programme budget for the biennium 1994-1995. It was of the utmost importance that the new Commission should pursue and reinforce activities in the areas of research, technical cooperation, consultancy, training and information, in addition to the activities connected with foreign investment flows. It was significant in this regard that the draft decision before the Board emphasized that the Commission should continue to keep under review the work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting. Of

fundamental importance also was that fact that the draft terms of reference encompassed the activities singled out in General Assembly resolution 49/130.

5. The representative of Consumers International (formerly known as International Organization of Consumers Unions) said that her organization had been concerned at the little or no attention being paid by the United Nations to the social, economic and environmental impact of transnational corporations since the death of the United Nations Code of Conduct for Transnational Corporations, not just because it had campaigned for the adoption of a code of conduct, but also because it believed that the issues addressed by the draft code were as relevant today as they had ever been. The increasing globalization of the economy made the need for regulations even more urgent, as the recent collapse of the Baring Bank had so poignantly shown. Many TNCs had stepped into the vacuum created by the abandonment of the code and were now adopting "ethical practices" in areas such as the environment, working conditions and, indeed, their relationships with consumers. However, the fact that these policies were self-generated and self-referential made them far less valuable and testable than a multilateral code.

6. Foreign direct investment was now the only effective means by which developing countries could gain access to capital and technology. This brought with it an increasing dependency on private operators, whose motivations for activity were not consumer welfare but, in the main, self-interest. Developing countries were in a weak position when negotiating investment agreements with TNCs, and it was often forgotten that most developed countries had become developed on the back of extremely protectionist policies. Even today, many industrialized nations condemned developing-country protection of "infant industries", while protecting their own "obsolete" industries against developing-country competition.

7. Consumers International had followed the debate about investment policy with interest, and had noted with concern the shift in venue for talks about a possible international investment treaty. The United Nations Commission on Transnational Corporations or UNCTAD might well have given birth to such a treaty. However, it seemed to have been placed in the orphanage of the World Trade Organization, before being moved on to a home in OECD. It was surely no coincidence that the discussion of such a treaty, as it became more likely, was moving into the OECD and thus further away from the influence of either developing countries or non-governmental organizations. Consumers International believed that developing countries and NGOs must be included in any discussion which might lead to a multilateral investment treaty.

8. It was with this in mind that she outlined her organization's vision for the Commission on Investment and Transnational Corporations. The terms of operation of the Commission had become so narrow as to resemble a strait-jacket. The work of creating an enabling environment for private capital had been and was being done with the active involvement of developing countries. To demand that the Commission on Investment and Transnational Corporations should remain faithful to the primacy of the TNC was to deprive the United Nations of two important functions: (i) ensuring that the benefits of globalization, of which TNCs were the main actors, were not seized by just a few; and (ii) preventing damaging impacts on people and the environment. The United Nations was a global representative forum. If it excluded itself from discussions surrounding the

ethics of TNC behaviour and, more importantly, from the negotiation of a multilateral investment treaty, it would leave developing countries and their representative bodies with no forum in which to voice their opinions and defend their interests. Thus the new Commission must fill this void and look critically at the issue of investment and TNC behaviour. Likewise, UNCTAD's Division on Transnational Corporations and Investment must not be reduced to being a mere "global management consulting firm", as one country representative had remarked at last year's session of the Commission. Accordingly, Consumers International requested the Commission (i) to study the potential content and impact of a multilateral investment treaty; (ii) to seek out, in conjunction with the UNCTAD Restrictive Business Practices Programme, the relationships between investment and competition policies; and (iii) to continue work on the important area of business ethics.

9. The representative of China moved that the following amendment be made to the draft terms of reference for the Commission, as set forth in TD/B/EX(9)/L.1:

After the chapeau, insert a new paragraph 1 reading as follows:

"The Commission shall examine and review the developments in international investment and transnational corporations, and the implementation of the programme on international investment and transnational corporations."

The remaining paragraphs would be renumbered as appropriate.

Action by the Board

10. Following a brief discussion on the implications of the amendment proposed by the delegation of China, the Trade and Development Board decided to take up this matter again at the second part of its forty-first session under item 9 (Other business), and requested the secretariat, in the meantime, to conduct informal consultations with interested delegations with a view to seeking agreement on the proposed revised draft text. ^{1/}

^{1/} For the action taken on this matter by the Board at the second part of its forty-first session, including the approval of the terms of reference of the Commission, see the report of the Board on the second part of its forty-first session (TD/B/41(2)/15 (Vol.I), section I.B, decision 425 (XLI)).

III. REPORTS AND ACTIVITIES OF THE SUBSIDIARY BODIES OF THE BOARD: MATTERS REQUIRING ACTION

(Agenda item 5)

Item 5(a) - Intergovernmental Group of Experts on Restrictive Business Practices, thirteenth session (24-28 October 1994)

11. The President drew attention to the agreed conclusions in annex I of the report on the session, wherein the Intergovernmental Group of Experts had provided mandates for the UNCTAD secretariat in connection with preparations for the Third Review Conference, scheduled to be held in November 1995, as well as directives for future work in UNCTAD and within the Intergovernmental Group itself.

12. The Board took note of the report of the Intergovernmental Group of Experts on Restrictive Business Practices on its thirteenth session (TD/B/41(2)/2-TD/B/RBP/103) and endorsed the agreed conclusions in annex I thereto.

Item 5(b) - Standing Committee on Commodities, third session (31 October-4 November 1994)

13. The President drew attention to annex I to the report on the session containing the agreed conclusions adopted by the Standing Committee, which identified areas for further analysis and research to be undertaken by the UNCTAD secretariat.

14. The Board took note of the report of the Standing Committee on Commodities on its third session (TD/B/41(2)/3-TD/B/CN.1/26) and endorsed the agreed conclusions in annex I thereto.

Item 5(c) - Standing Committee on Economic Cooperation among Developing Countries, second session (14-18 November 1994)

15. The President drew attention to annex I to the report on the session, containing the agreed conclusions adopted by the Standing Committee, which outlined future activities of both the Committee and the UNCTAD secretariat; and to the appendix to annex I containing the recommendations of the Intergovernmental Group of Experts on Economic Cooperation among Developing Countries, convened by the Standing Committee at its first session, which had been endorsed by the Committee at its second session.

16. The Board took note of the report of the Standing Committee on Economic Cooperation among Developing Countries on its second session (TD/B/41(2)/7-TD/B/CN.3/11) and endorsed the agreed conclusions in annex I, as well as the recommendations of the Intergovernmental Group of Experts appended thereto.

Item 5(d) - Ad Hoc Working Group on Trade, Environment and Development, first session (28 November - 2 December 1994)

17. The Board took note of the report of the Ad Hoc Working Group on its first session (TD/B/41(2)/5-TD/B/WG.6/3) and of the Chairman's summary of discussions, contained in annex II thereto.

Item 5(e) - Working Party on the Medium-term Plan and the Programme Budget,
twenty-fourth session (12-14 December 1994)

18. The President drew attention to the agreed conclusions adopted by the Working Party on its review of the technical cooperation activities of UNCTAD and their financing, contained in annex I to the report on the session. He also drew attention to paragraphs 18 and 19 of the report, reflecting the oral presentations made by the secretariat under items 4 and 5 (Report of the Secretary-General of UNCTAD on the work of the secretariat on programme evaluation; the Report by the Secretary-General of UNCTAD on economies as well as on the redeployment of resources).

19. The Board took note of the report of the Working Party on its twenty-fourth session (TD/B/41(2)/11-TD/B/WP/88) and endorsed the agreed conclusions in annex I thereto.

20. The President raised two pending issues connected with the Working Party. First, he recalled that, at its sixth executive session, the Board had decided to postpone discussions on the draft terms of reference of the Working Party (circulated in TD/B/EX(6)/L.1) and had requested the Officer-in-charge of UNCTAD to hold informal consultations on future procedure. It was his understanding that some informal consultations among delegations were in progress and that, as soon as these had been completed, the outcome would be reported to the Board.

21. The second issue concerned the question of prioritization of high-priority subprogrammes in the Medium-term Plan for the period 1992-1997. The President recalled that, at its seventh (pre-sessional) executive session, when considering the report of the Working Party on its twenty-third session, the Board had been unable to take any action on this question and had therefore requested the Officer-in-charge of UNCTAD to hold appropriate consultations. He pointed out that any amendments to the subprogramme priorities made at this stage would affect only the last two years of the current Medium-term Plan (1992-1997). Furthermore, in the light of the outcome of UNCTAD IX, member States would be examining a new plan and prioritizing subprogrammes accordingly. The Board might therefore wish to review the matter thoroughly only after UNCTAD IX.

22. The Board agreed that the matter should be reviewed thoroughly after the ninth session of the Conference.

IV. PROCEDURAL, INSTITUTIONAL, ORGANIZATIONAL AND ADMINISTRATIVE MATTERS

A. Opening of the session

23. The ninth (pre-sessional) executive session of the Trade and Development Board was opened on 17 March 1995 by Mr. Richard A. Pierce (Jamaica), President of the Board during its current forty-first session.

B. Bureau of the Board

24. There being no change in the officers elected to serve on the Bureau of the Board throughout the forty-first session, the Bureau of the ninth executive session was as follows:

President: Mr. Richard A. Pierce (Jamaica)

Vice-Presidents: Mr. Youri Afanassiev (Russian Federation)
Mr. Phabien Raphaël Edate (Madagascar)
Mr. Rüdiger Lemp (Germany)
Mr. Shohei Naito (Japan)
Mr. Jose Luis Perez Gabilondo (Argentina)
Mr. Stephen A. Schlaikjer (United States of America)
Mr. Adian Silalahi (Indonesia)
Mr. Björn Skogmo (Norway)
Mr. Jamaluddin Syed (Bangladesh)
H.E. Zdenek Venera (Czech Republic)

Rapporteur: Mr. Calson Mbegabolawe (Zimbabwe)

C. Adoption of the agenda

(Agenda item 1)

25. The Board adopted the provisional agenda for the ninth (pre-sessional) executive session as contained in section I of TD/B/EX(9)/1. (For the agenda, see annex I below).

D. Institutional, organizational, administrative and related matters

(Agenda item 3)

Item 3(a) - Treatment of new States members of UNCTAD for purposes of elections

26. The President recalled that, by its resolution 49/63, of 15 December 1994, the General Assembly had admitted the Republic of Palau to membership in the United Nations. Under the provisions of General Assembly resolution 1995 (XIX), the Republic of Palau had automatically also become a member of UNCTAD, thus bringing UNCTAD's membership to 188.

Item 3(b) - Membership of the Trade and Development Board

27. The Board noted that, in a communication dated 22 February 1995 to the Officer-in-charge of UNCTAD, the Permanent Mission of Croatia had indicated that the Republic of Croatia wished to become a member of the Trade and Development Board. Accordingly, the Board agreed that Croatia, having fulfilled the conditions of paragraph 5 of General Assembly resolution 1995 (XIX), was duly admitted to membership of the Board. The membership of the Board now stood at 140.

28. The Board also took note that document TD/B/41(2)/INF.1, reflecting the full membership of UNCTAD and of the Trade and Development Board, would be appropriately revised.

Item 3(c) - Membership of the Standing Committees and Ad Hoc Working Groups

29. The President drew attention to document TD/B/41(2)/INF.2, containing the revised membership of the four Standing Committees and the membership of the three new Ad Hoc Working Groups established by the Board in paragraph 20 of its conclusions and decisions 415 (XL), of 27 May 1994, and informed the Board that any amendments, as appropriate, should be communicated to the Secretary of the Board.

E. Designation of the President of the forty-second session of the Board

(Agenda item 4)

30. The Board agreed by acclamation to designate H.E. Mr. William Rossier (Switzerland) as President of the Trade and Development Board at its forty-second session.

F. Report of the ninth (pre-sessional) executive session of the Board

(Agenda item 7)

31. The Board authorized the Rapporteur, under the authority of the President, to prepare the report of the Board on its ninth (pre-sessional) executive session.

ANNEXES

Annex I

**AGENDA FOR THE NINTH (PRE-SESSIONAL) EXECUTIVE SESSION OF
THE TRADE AND DEVELOPMENT BOARD**

1. Adoption of the agenda
2. Terms of reference of the Commission on International Investment and Transnational Corporations
3. Institutional, organizational, administrative and related matters:
 - (a) Treatment of new States members of UNCTAD for purposes of elections
 - (b) Membership of the Trade and Development Board
 - (c) Membership of the Standing Committees and Ad Hoc Working Groups
4. Designation of the President of the forty-second session of the Board
5. Reports and activities of the subsidiary bodies of the Board: matters requiring action
6. Other business
7. Report of the ninth (pre-sessional) executive session of the Board.

Annex II

ATTENDANCE */

1. The following States members of UNCTAD, members of the Board, were represented at the session:

Algeria	Malaysia
Argentina	Malta
Australia	Mexico
Austria	Mongolia
Bangladesh	Morocco
Bhutan	Myanmar
Bolivia	Nepal
Brazil	Netherlands
Bulgaria	New Zealand
Burundi	Nigeria
Chile	Norway
China	Oman
Costa Rica	Pakistan
Croatia	Paraguay
Czech Republic	Peru
Democratic People's Republic of Korea	Philippines
Denmark	Poland
Ecuador	Portugal
Egypt	Qatar
El Salvador	Republic of Korea
Ethiopia	Romania
Finland	Russian Federation
France	Slovakia
Germany	South Africa
Greece	Sweden
Honduras	Switzerland
Hungary	Thailand
India	The Former Yugoslav Republic of Macedonia
Indonesia	Trinidad and Tobago
Iraq	Tunisia
Ireland	Turkey
Italy	United Kingdom of Great Britain and Northern Ireland
Jamaica	United Republic of Tanzania
Japan	United States of America
Jordan	Venezuela
Kenya	
Madagascar	

*/ For the list of participants, see TD/B/EX/INF.8.

2. The following State member of UNCTAD, not member of the Board, was represented at the session:

Slovenia

3. The International Trade Centre UNCTAD/GATT was represented at the session.

4. The following specialized agencies were represented at the session:

International Labour Organisation
Food and Agriculture Organization of the United Nations
World Health Organization
International Monetary Fund
United Nations Industrial Development Organization

5. The following intergovernmental organizations were represented at the session:

European Community
Organization of African Unity

6. The following non-governmental organizations were represented at the session:

General Category

International Chamber of Commerce

Special Category

International Air Transport Association
Consumers International

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